

INFORMATION BULLETIN #79

INCOME TAX

JANUARY 2003

(Replaces Information Bulletin #79 dated June 1995)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Income Derived From Investment Funds Holding U.S.
Government Obligations

REFERENCES: IC 6-3-1-3.5; 45 IAC 1-1-127; 45 IA C 3.1-1-5

INTRODUCTION

The proportionate share of dividends or interest received from a mutual fund, regulated investment trust, or other fund derived from investments in direct federal government obligations may be deducted from Indiana adjusted gross income. This deduction is allowed only to the extent that such income is included in Indiana adjusted gross income. Earnings from investments in repurchase agreements do not qualify for this deduction.

They are not considered to be derived from direct obligations of the federal government.

Distributions from individual retirement accounts (IRAs), pensions, and annuities represent ordinary income. Such investments do not qualify for a modification for interest earned on United States government obligations.

For further information on direct United States government obligations, please consult [Income Tax Information Bulletin #19](#).

A handwritten signature in black ink, reading "Kenneth L. Miller". The signature is written in a cursive style with a horizontal line underneath.

Kenneth L. Miller
Commissioner